



WEEKLY ECONOMIC DIGEST

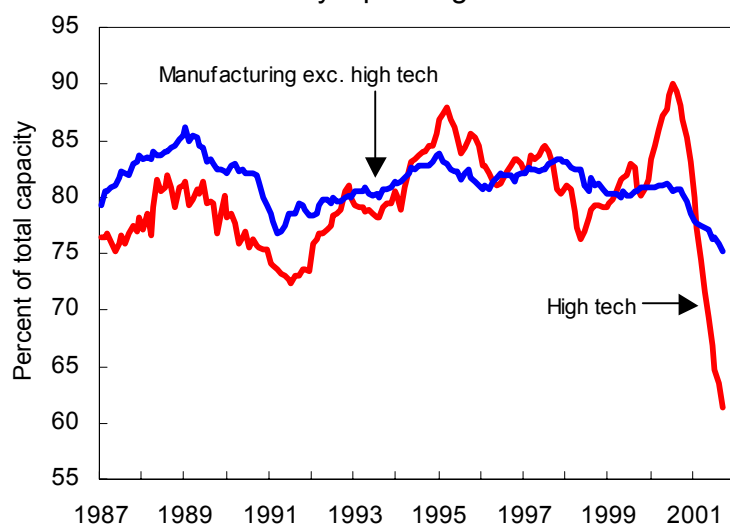


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
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October 30, 2001

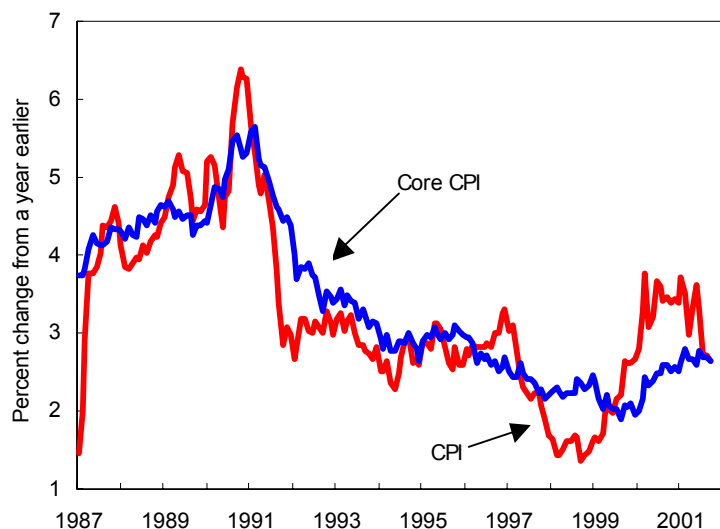
More Indications of Weakening

Factory Operating Rates



Source: Board of Governors, Federal Reserve Board.

Consumer Price Inflation



Source: Bureau of Labor Statistics, U.S. Dept. of Labor.

- **Factory output slipped again in September.** Manufacturing production fell 1.1 percent in September to a level that is 6.7 percent below those prevailing a year ago. That decline was largely due to a 2.3 percent drop in the production of business equipment. Those production declines caused factory operating rates to drop again last month, to 73.8 percent of capacity, the lowest monthly operating rate since 1983. For manufacturers of such high-technology items as computers, semiconductors, and communications equipment, capacity utilization sank to 61.4 percent.
- **New orders for capital goods weakened further in September.** Both domestic and foreign demand for U.S.-produced capital equipment remain well below the levels that prevailed a year ago, and the prospects for a pickup soon remain dim. Preliminary estimates for September indicate that new orders for nondefense capital goods (excluding aircraft) slid by more than six percent last month. Although the magnitude of that decline was associated with the terrorist attacks and is not likely to be repeated, it further diminishes the likelihood of a rebound in capital spending in the final quarter of this year.
- **Inflation remained moderate in September.** The Consumer Price Index rose by 0.4 percent last month, up 0.3 percentage points from the inflation rate in August. That jump, however, largely reflected the effects of energy prices climbing back a bit from their sharp summer declines. The core rate of consumer price inflation (which excludes the effects of food and energy prices on overall inflation) rose by 0.2 percent in September, as it had in the previous two months.
- **New jobless claims continued to climb in recent weeks.** Initial claims for unemployment insurance rose by 8,000 during the week ending October 20. Over the past four weeks, new jobless claims have averaged 505,000 and continuing claims have been more than 60 percent higher than was the case during the same period last year.

Economy At A Glance	Sep	Aug	Jul	Jun	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
Economic Activity										
Real GDP (% growth)*						0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)	-11.4	-8.1	-1.2	-11.4	-6.2	-4.4	-6.8	-0.9	5.6	4.2
Capacity Utilization (Level, %)	75.5	76.4	77.0	77.1	76.3	77.8	79.2	81.3	82.1	81.2
Civilian Unemployment Rate (Level, %)*	4.9	4.9	4.5	4.5	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)	1574	1548	1660	1634	1594	1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)*		25.3	23.9	1.2		2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)	-24.9	5.1	2.4	-0.2	-1.0	5.2	5.2	0.2	7.6	8.2
Personal Saving Rate (Level, %)*		4.1	2.5	1.0		1.1	1.1	1.0	1.0	2.4
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	4.9	1.2	-3.5	2.4	0.7	3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)	2.4	2.4	2.4	3.7	2.5	2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)					3.6	4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)						2.1	0.0	2.4	3.0	2.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	2.6	3.4	3.5	3.5	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.7	5.0	5.2	5.3	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	3.3	3.7	3.8	4.0	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9043	10315	10445	10767	9934	10669	10513	10586	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Major Economic News Due This Week:

- **Gross Domestic Product, Third Quarter, Advance** [Release: Wednesday, October 31, 2001]
- **Personal Income, September** [Release: Thursday, November 1, 2001]
- **The Employment Situation, October** [Release: Friday, November 2, 2001]